

## **2008 Proposed IIG Guideline Changes (Rev. October 9, 2008)**

### **Section 302(g) and 303(a) - Infrastructure and Housing Nexus**

#### **Proposed change:**

Section 302(g):

"Capital Improvement Project" or "Project" means the construction, rehabilitation, demolition, relocation, preservation, acquisition, or other physical improvement of a Capital Asset that is an integral part of, or ~~facilitates the development of~~ is necessary for the development of a Qualifying Infill Project or the housing designated in the application for a Qualifying Infill Area.

Section 303(a) Eligible Projects:

(a) To be eligible for funding, a Capital Improvement Project must be an integral part of, or necessary ~~to facilitate~~ for the development of either a Qualifying Infill Project or the housing designated in the application for a Qualifying Infill Area. The Qualifying Infill Project or Area must:

...

#### **Reason:**

The amendments clarify the requirement that a clear connection (nexus) must exist between the infrastructure [(Capital Improvement Project (CIP))] and the housing it supports.

### **Section 302(z), formerly 302(y) – Urban Uses Definition Clarification**

#### **Proposed change:**

(y) "Urban Uses" mean any residential, commercial, industrial, public institutional, transit or transportation passenger facility, or retail use, or any combination of those uses. Urban Uses do not include land zoned or used for agricultural uses.

#### **Reason:**

The proposed change would clarify that land zoned or used for agricultural use is not an urban use. This was an issue in the first application round.

## Section 302 (v) – Site Control Definition

### Proposed change:

- (v) “Site Control” means the applicant or developer has control of property through one or more of the following:
  - a. fee title;
  - b. a leasehold interest on the property with provisions that enable the lessee to make improvements on and encumber the property provided that the terms and conditions of any proposed lease shall permit, prior to grant funding, compliance with all program requirements;
  - c. an enforceable option to purchase or lease which shall extend through the anticipated date of the Program award as specified in the Notice of Funding Availability ;
  - d. an executed disposition and development agreement, right of way, or irrevocable offer of dedication to a public agency;
  - e. an executed encroachment permit for construction of improvements or facilities within the public right of way or on public land;
  - f. an executed agreement with a public agency that gives the Applicant exclusive rights to negotiate with the agency for the acquisition of the site; provided that the major terms of the acquisition have been agreed to by all parties;
  - g. a land sales contract or other enforceable agreement for acquisition of the property;
  - h. Other forms of site control that give the Department equivalent assurance that the applicant or developer will be able to complete the Project and all housing designated in the application in a timely manner and in accordance with all the requirements of the Program.

### Reason:

Section 307(a)(6) requires site control, but does not include specific standards for determining whether this condition exists. Adding a definition of site control (modeled after the site control definition in the State Uniform Multifamily Regulations, Section 8303) will clarify the forms of site control acceptable to the Department.

## Section 303 (a)(3)(C) - Replacement Unit Calculation

### Proposed change:

(C) Replacement housing units required to be provided by a community redevelopment agency pursuant to redevelopment law shall not be counted toward meeting the requirements of this paragraph. For example, if the total number of residential units to be developed in the Qualifying Infill Project or Qualifying Infill Area is 100 units, and the development is required to provide 20 replacement housing units, then the 20 replacement units cannot be included when calculating the 15 percent threshold requirement. In this example, 100 residential units X 15% = 15 affordable housing units. Therefore, 15 affordable housing units must be produced in addition to the 20 replacement housing units for a total of 35 affordable housing units needed to meet this threshold requirement.

### Reason:

This amendment would clarify the calculation of the required additional housing units when replacement housing units are required. It does not change the substance of the requirement.

## Section 303(c) – Clarifying What Constitutes a Single Project

### Proposed change:

“A Qualifying Infill Project must be a discrete development. All the housing development components must have been planned as one development and jointly submitted for local land use approval. They must also have ~~with a common development scheme and~~ common, affiliated or contractually-related ownership and financing structures.”

### Reason:

During the application process, there was confusion about what constituted a “common development scheme.” This change clarifies this concept and the standards for considering multiple components of a development to be considered one Project.

## Section 304(a)(5) - Parking Cost Limits

### Proposed change:

The minimum number of residential per unit parking spaces in parking structures as required by local land-use entitlement approval, not to exceed one parking space per residential unit. Parking structure costs shall be reasonable in comparison to similar parking structures of modest design in the local market area.

### Reason:

The Department recognizes the cost of parking structures varies throughout the State and is influenced by factors such as design, density, and location. The amendment allows for variation in parking costs, but requires they be based in accepted standards for the locality and that they are comparable in cost to like projects. It was prompted by a several applications in the first round that proposed parking systems that cost double and triple the normal amount.

## Section 304(d)(2) – Eligible Parking Costs

### Proposed change:

(d) The following costs are not eligible:

- (1) Parking spaces and structures, except as provided in Paragraphs (a)(4) and (5) above.
- (2) Costs of site acquisition, grading, ~~and~~ foundations or other site work for housing and mixed use structural improvements, including such costs for buildings with parking structures located below housing.

### Reason:

The amendments clarify that site work and similar costs that would need to be incurred regardless of whether special infrastructure improvements were needed are ineligible costs. The intent of the program is covering the incremental costs of infill development, not those that would be necessary for any project, whether it was located in an infill area or not.

**Section 305(c)-(e), formerly 305(c) which was split into (c) and (d) and a new (e) – Financial Feasibility**

**Proposed Change:**

- (c) The applicant must demonstrate that the grant does not result in the developer or developers benefiting from the Qualifying Infill Project or Area or the Capital Improvement Project by realizing a profit that exceeds the commercially reasonable range for other developments of similar size and level of risk.
- (d) [formerly part of 305 (c)] The applicant must show that Program funds are reasonably necessary for Project feasibility and no other source of compatible funding is reasonably available, including excess surplus amounts as defined by paragraph (1) of subdivision (g) of section 33334.12 of the Health and Safety Code held by redevelopment agencies in their Low- and Moderate-Income Housing Funds.
- (e) [new] The applicant must demonstrate that the Qualifying Infill Project or the housing to be developed in the Qualifying Infill Area, as proposed in the application, is financially feasible as evidenced by documentation such as, but not limited to, a market study, project pro-forma, and sources and uses statement.

**Reason:**

For clarity, the changes break Section 305(c) into two sections and add explicit language requiring applicants to provide evidence that their housing project is feasible.

Existing guidelines require the applicant to demonstrate infrastructure project feasibility, but do not explicitly require feasibility of the housing supported by the infrastructure. This amendment would put potential applicants on notice that they will be required to demonstrate feasibility and to provide the type of documentation that is typically used for this purpose, including third-party market studies and similar evaluations.

## Section 305(f) – [New (f)] Allowing Conversion of IIG Program Grants to Loans

### Proposed change:

(f) Where the Recipient is a Locality, redevelopment agency or housing authority, and the Qualifying Infill Project is receiving low income housing tax credits, the Recipient may provide Program funds to the developer of the Qualifying Infill Project in the form of a zero-percent, deferred payment loan, with a term of at least 30 years. The Recipient shall be responsible for all aspects of establishing and servicing the loan. The Recipient shall receive written approval from the Department before making the loan.

### Reason:

The change would clarify the ability of Recipients to loan grant funds to tax credit developers. The proposed change is consistent with the policy adopted by the Department in response to questions during the first funding round. The purpose of this policy is to allow infrastructure paid for with program funds to be included in eligible basis of tax credit projects. It facilitates increased equity funding for these projects.

## NEW Section 306 – Performance Requirements

*A new section 306 will be inserted so the existing section 306 will be renumbered to be section 307. Also, the content of former Section 312 and former Section 305(i) was consolidated and moved into this new Section 306.*

### Proposed change:

Section 312 306. Performance Requirements

- (a) [New language] Recipients shall begin construction of the housing units to be developed in the Qualifying Infill Project and the housing designated in the application for a Qualifying Infill Area within the time set forth in the Standard Agreement but not more than 5 years from the date of the Program grant award.
- (b) [formerly 312 (b)] The housing units to be developed in the Qualifying Infill Project and the housing designated in the application for a Qualifying Infill Area must be completed, as evidenced by receipt of a certificate of occupancy, within the period of time set forth in the Standard Agreement, but not more than 8 years from the date of the award of the Program grant. This period may be extended by the period of any extension granted pursuant to Subdivision (d) of this section.

- (c) [formerly 312 (a)] Program funds must be disbursed in accordance with deadlines specified in the Standard Agreement, and in no event later than February 1, ~~2012~~ 2013.
- (d) [formerly 305(i)] Recipients will be required to repay disbursed Program grant funds where construction of residential units used as the basis for calculating the grant amount pursuant to Section 305(a) has not received building permits within 5 years from the date of the Program grant award. The Department may provide one extension to these deadlines, for a term not to exceed 5 years, if the Recipient demonstrates that construction has not begun for reasons outside their control, such as deteriorating market conditions. The amount to be repaid shall be the same proportion to the total grant amount as the number of residential units where construction has not timely commenced to the total number of designated residential units.

**Reason:**

This new section clarifies and brings together in one location key performance requirements for grant recipients. This reorganization and new initial provision will clarify the Program deadlines, including when the funded recipient must start construction of the housing development supported by the Program. The final disbursement date reflects the revised deadline for awards made pursuant to the FY 2008-09 allocation.

**New Section 307(c) and (d), formerly Section 306(c) and (d) - Eligible Applicants**

**Proposed Change:**

(c) Applicant Entities shall be the following:

- (1) For Qualifying Infill Projects, the nonprofit or for-profit developer of the qualifying project, either by itself or as a joint applicant with a locality, public housing authority, or redevelopment agency with jurisdiction over the area in which the Qualifying Infill Project is located. Transit districts, regional planning agencies, and joint powers authorities are not eligible applicants or joint applicants.
- (2) For Qualifying Infill Areas, a Locality, public housing authority, or redevelopment agency that has jurisdiction over the Qualifying Infill Area, or one of these entities together with a BID as joint applicants, provided that the BID includes, or is contained within, the Qualifying Infill Area. Transit districts, regional planning agencies, and joint powers authorities are not eligible applicants or joint applicants.

- (3) Joint applications are permitted where each applicant individually is an eligible applicant.
- (d) The Department shall evaluate applications for compliance with the threshold requirements listed in ~~Section 307~~ Section 308, and score them based on the application selection criteria listed in ~~Sections 308 or 309~~ Sections 309 or 310. The highest scoring applications that meet all threshold requirements shall be selected for funding as specified in the NOFA, except that the Department may make adjustments in this procedure to meet approximately the following geographic distribution objectives of each NOFA:

**Reason:**

The amendment clarifies the eligible program applicants by continuing to allow only applications from public and private entities that construct or administer programs that develop housing.

**New Section 308(c), formerly Section 307(c) – Construction start technical change**

**Proposed change:**

- (c) Applicants shall designate the proposed residential units in the Qualifying Infill Project, or within the Qualifying Infill Area that the applicant intends to utilize for the purpose of establishing the maximum Program grant amount pursuant to Section 305 and for the purpose of rating applications pursuant to ~~Sections 308 or 309~~ Sections 309 or 310. Any such designated units must be utilized for both purposes.

~~Construction shall not have commenced on any such designated units prior to the deadline for application submittal set forth in the NOFA.~~ The application must demonstrate that the percentage of Affordable Units, and units restricted to other income limits and rents as designated for the purpose of determining the maximum Program grant amount in Subdivision 305 and for rating purposes pursuant to ~~Sections 308 or 309~~ Sections 309 or 310, shall be maintained or exceeded through the completion of each development phase or each residential development proposed in the application. The Department may modify the requirement set forth in the previous sentence to conform to a similar local public agency requirement, provided that it determines that the local requirement will reliably result in completion of the required Affordable Units within a reasonable period of time.



(d) Construction shall not have commenced on any units designated in the application prior to the deadline for applications submittal set forth in the NOFA.

**Reason:**

This is a technical clarification with no substantive change to the existing language. It is intended to call attention to the prohibition on counting units completed or under construction in the application. The purpose of the program is to induce the construction of housing that would not otherwise be built.

**New Section 309, formerly Section 308 — Application Selection Criteria for Qualifying Infill Projects**

*The Department proposes to increase the total score from 130 to 240 points. This change will encourage a greater breadth of point scores when evaluating applications. Point categories are rounded in ten point increments (e.g. 10, 20, etc.) or 5-point increments (e.g. 5, 10, etc.) for ease and clarity. Additional changes are explained in the following subparagraphs.*

**Proposed changes:**

Applications for Capital Improvement Projects associated with Qualifying Infill Projects shall be rated using the criteria detailed below. Applicants may elect to exclude from consideration discrete phases or portions of their developments, provided that these portions or phases are not included for other purposes under these Guidelines, including rating pursuant to this ~~Section 308~~ Section 309 and determining the maximum grant amount calculated pursuant to Section 305(a). For a Qualifying Infill Project consisting of a multi-phased development with 200 or more residential units which meets the eligibility and threshold requirements for a Qualifying Infill Project under Sections 303 and ~~307~~ 308 respectively, the applicant may elect to be rated pursuant to the criteria in this ~~Section 309~~ Section 310 and ranked for funding with Qualifying Infill Area applications for funds allocated in the NOFA for Qualifying Infill Areas.

**(a) Project Readiness – ~~30~~ 80 points Maximum**

**(1) Environmental Review Status—~~8~~ 25 points maximum**

Applications will be awarded points based on the extent to which environmental reviews have been completed for the Qualifying Infill Project:

- (A) Completion of all necessary environmental clearances, including those required under the California Environmental Quality Act and the National Environmental Policy Act and all applicable time periods for filing appeals or lawsuits have lapsed, shall receive 8 25 points.
  - (B) Issuance of a public notice of the availability of a draft environmental impact report, negative declaration, or environmental assessment, shall receive ~~4~~15 points.
  - (C) The completion of a Phase I Site Assessment and Phase II Site Assessment (if required) within one year prior to the application deadline specified in the NOFA and any public agency approved remediation plan, shall receive ~~2~~ 5 points.
- (2) Land Use Entitlement Status—8 25 points maximum

Applications will be awarded points based on the extent that the Qualifying Infill Project can secure necessary entitlements from the local jurisdiction within a reasonable period of time, as follows:

- ~~(A) Applications which demonstrate that the Qualifying Infill Project is consistent with local planning documents and zoning ordinances and applications for all necessary discretionary local land use approvals have been submitted to the appropriate local agencies shall receive 3 points.~~
- ~~(B) Applications which demonstrate that all necessary discretionary local land use approvals have been granted for the Qualifying Infill Project shall receive 8 points.~~

(A) Applications which demonstrate that all necessary discretionary local land use approvals have been granted for the Qualifying Infill Project shall receive 25 points.

(B) Applications which demonstrate that the Qualifying Infill Project is consistent with local planning documents and zoning ordinances and applications for all necessary discretionary local land use approvals have been submitted, accepted, and deemed complete by the appropriate local agencies shall receive 15 points.

(C) Applications which demonstrate that the Qualifying Infill Project is consistent with local planning documents and zoning ordinances shall receive 5 points.

(3) Funding Commitments—8 20 points maximum

~~Applications will be awarded points based on the extent to which the Qualifying Infill Project and Capital Improvement Project can secure sufficient funding in a timely manner, as follows:~~

- ~~(A) 4 points shall be awarded for obtaining enforceable commitments for all construction period funding for the Qualifying Infill Project, excluding tax credit equity, tax exempt bonds, and funding provided by this and other Department funding program(s) provided that the other Department funding is awarded prior to or simultaneously with the final rating and ranking of the Program application. For self-help developments utilizing USDA 502 loans, 4 points will be awarded if the active 523 grantee has site control and a letter of support from USDA.~~
- ~~(B) 4 points shall be awarded for obtaining enforceable commitments for all construction period funding for the Capital Improvement Project, excluding funding provided by another Department funding program provided that this funding is awarded prior to or simultaneously with the final rating and ranking of the Program application.~~

Applications will be awarded points as follows based on the extent the applicant can secure enforceable funding commitments for the combined development cost of the Capital Improvement Project and the Qualifying Infill Project.

(A) Funding Commitment Levels:

Rental housing developments

<u>Construction Period</u>	<u>Permanent Period</u>	<u>Points</u>
<u>At least 95% of the total development cost less deferred costs</u>	<u>At least 95% of the total development cost less deferred costs</u>	<u>20</u>
<u>At least 50% of total development cost less deferred costs</u>		<u>5</u>

### Ownership developments

<u>Construction Period</u>	<u>Permanent Period</u>	<u>Points</u>
<u>At least 95% of the total development cost including all necessary public agency funds, less deferred costs</u>	<u>At least 95% of the total development cost including all necessary public agency funds less private mortgage financing and deferred costs</u>	<u>20</u>
<u>At least 50% of the total development cost including all necessary public agency funds, less deferred costs</u>		<u>5</u>

### Combined rental and ownership developments

Applications designating both rental and ownership units will be awarded points on the funding commitments for the combined development cost of the Capital Improvement Project and the Qualifying Infill Project on a percentage basis in proportion to the number of rental and ownership units. For example, in a 100 unit development consisting of 80 rental units and 20 ownership units, the amount of points will be weighted 80% for the funding commitments associated with the rental units and 20% for the funding commitments associated with the ownership units, then the respective scores for each component will be combined, not to exceed 20 points.

- (B) Allowable Program funds will be considered committed in this calculation. Funds conditionally reserved under the following programs shall be accepted as funding commitments: the Department of Housing and Urban Development's (HUD) Supportive Housing Program (SHP), Home Investment Partnerships Program (HOME), Community Development Block Grant Program (CDBG), and the California Department of Mental Health's Mental Health Services Act Program.
- (C) For qualified infill projects involving 9% low income housing tax credits, private permanent loans, equity contributions, and deferred developer fees are not eligible funding commitments

unless accompanied with a tax credit reservation letter from the California Tax Credit Allocation Committee in the application.

(D) For self-help homeownership developments utilizing USDA 502 Loans, 20 points will be awarded if the applicant is an active 523 grantee that has site control of the capital improvement project and a letter of support from USDA.

(E) Owner equity contributions or developer funds shall not be substituted later with a different funding source or forgone if committed in the application. The Department may require the applicant to evidence the availability of the proposed amount of owner equity or developer funds.

(4) Local Support—~~6~~10 points maximum

Applications will be awarded 6 points ~~for any of the following~~ for one of the following:

~~(A) Submittal of a letter of support from the legislative body or planning department of the Locality in which the Qualifying Infill Project is located;~~

~~(B) The Qualifying Infill Project is located on a site designated or identified in the housing element of the local general plan as suitable for housing development consistent with application;~~

~~(C) Obtaining all discretionary local land use approvals and commitments for local public funding for the Qualifying Infill Project; or~~

~~(D) Obtaining a funding commitment or commitments from a local public agency or agencies for the Capital Improvement Project equivalent to at least 25 percent of the Program grant.~~

(A) Obtaining a funding commitment or commitments from a local public agency or agencies for the Capital Improvement Project equivalent to at least 25 percent of the Program grant will be awarded 10 points.

(B) The Qualifying Infill Project being located on a site designated or identified in the housing element of the local general plan as suitable for housing development consistent with the application will be awarded 5 points.

(C) Submittal of a letter of support from the legislative body or planning department of the Locality in which the Qualifying Infill Project is located will be awarded 3 points.

**Reason:**

In the initial funding round, several funded applications proposed projects close to transit and amenities but were comparatively less ready to start construction. It is the Department's priority to expend Proposition 1C funds expeditiously and support funding projects where developers have taken and completed development activities that increase the likelihood of beginning construction soon after Program funds are awarded. For this reason, the changes will increase the relative weight of the "Readiness" category by about 10% and decrease the weight of "Access to Transit" and "Proximity to Amenities" categories by about 7%, respectively from the prior funding round. The changes reflect the weighted importance that completing environmental reviews, obtaining land use entitlements, and securing funding commitments affect the ability to start construction.

Changes to the readiness category for Qualifying Infill Projects include:

1. Reorganizing the language in the "Land Use Entitlement Status" subcategory and awarding points if the applications for discretionary local land use approvals are accepted and deemed complete by the local agency for their review. The change would recognize the progress made if the local public agency determined the applications were *complete* for their review. The existing guidelines provided points for *submittal* of the applications to the local agencies.

Additionally, the changes would modify existing language by providing another method to earn points in this subcategory. Although the project in the application may not be at the stage of submitting applications for discretionary local land use approvals, the changes would allow points to be awarded if projects are at least consistent with local planning documents and zoning ordinances;

2. Measuring the amount of all funding commitments for the infrastructure project and the housing development, instead of the amount of committed construction funding only. The amendments recognize the value of construction and permanent funding commitments and substantially reward construction-ready projects that obtained nearly all construction and permanent funding commitments; and
3. Reorganizing existing language in the local support subcategory and awarding points based on the type of local support. The changes reflect the fact that different types of local support require greater effort than others in local decision making.

**(b) Affordability – ~~30~~ 60 points Maximum**

Applications will be awarded points based on the percentage of units in the Qualifying Infill Project restricted to occupancy by specified income groups. Applications designating only rental units in the Qualifying Infill Project may elect to have their applications scored in accordance with any one of the three following scales. Applications designating ownership units, or a combination of rental and ownership units, must utilize the scale set forth in paragraph 3 below.

- (1) The scale used by MHP, as specified in 25 CCR 7320(b)(1). Applicants making this election shall be awarded ~~30~~ 60/35 points for every 1 point they would be eligible to receive using MHP's system (so that applications eligible for the maximum possible 35 points using the MHP scale receive the maximum possible points in this category for the Program)
- (2) The scale used by TCAC to score 9% low income housing tax credit applications, under the Lowest Income point category. Applicants making this election shall be awarded ~~30~~ 60/52 points for every 1 point they would be eligible to receive using TCAC's system (so that applications eligible for the maximum possible 52 points using the 9% scale receive the maximum possible points in this category for the Program).
- (3) The following scale:
  - (A) ~~0-13~~ .30 points will be awarded for each percent of total units that are owner-occupied and restricted to ~~initial~~ occupancy by households with incomes not exceeding the Moderate Income limit.
  - (B) ~~0-30~~ .80 points will be awarded for each percent of total units that are owner-occupied and restricted to occupancy by households with incomes not exceeding the Lower Income limit.
  - (C) ~~0-20~~ .40 points will be awarded for each percent of total units that are rental units restricted to occupancy by households with incomes not exceeding 50% of Area Median Income.
  - (D) ~~4~~ 2.0 points will be awarded for each percent of total units that are rental units restricted to occupancy by households with incomes less than or equal to 30% of Area Median Income, or that are or will be covered by a long-term, project-

based rental or operating subsidy contract under a program that either has a history of predominately serving households at this income level or that by design will reliably serve this population.

- (4) Owner-occupied units shall be subject to a recorded covenant with a duration of at least 30 years that includes either a resale restriction or a requirement for sharing equity upon resale.
- (5) For rental units used as the basis for point scores in the application, rent limits for initial occupancy and for each subsequent occupancy shall be based on unit type, applicable income limit, and area in which the Qualifying Infill Project is located, following the calculation procedures used by TCAC. Rents shall be restricted in accordance with the rent and income limits specified in the application and approved by the Department, and set forth in a legally binding agreement recorded against the Qualifying Infill Project with duration of at least 55 years. Rents shall not exceed 30% of the applicable income eligibility level.

**Reason:**

The Department recognizes the need to improve the support of affordable ownership developments. The Department conducted interviews with various developers regarding feasible, affordable homeownership projects and consulted with the Department's CalHome and BEGIN Programs.

The amendments in the Affordability category would allow ownership developments substantially assisting lower-income households to receive full points for affordability and improve the scores of mixed ownership developments where at least 40-50% of the units assist lower-income households and the remaining units assist moderate-income households.

The other point changes reflect the proportionate expansion of points to a 240 point scale. The points in this category were doubled.

**(c) Density – ~~20~~ 40 points Maximum.**

Applications will be scored based on the extent to which the average Net Density of the Qualifying Infill Project, adjusted by unit size, exceeds the required density specified in Section 303(a)(4).



- (1) Net density will be adjusted by unit size (and commercial space as applicable) as follows:

Example = Mixed-use project,  $\frac{3}{4}$  acre, urban site, with 12 1-bedroom units at 800 sq. ft. each, 12 2-bedroom units at 1100 sq. ft. each, and 5000 sq. ft. of commercial space.

Based on the Density factors in the chart below, the equation looks like this:

$$12 \times 0.9 \text{ (1 bedroom units)} = 10.8$$

$$12 \times 1.2 \text{ (2 bedroom units)} = 14.4$$

Then, to attribute density to the commercial space, utilize the square footage and bedroom count of the largest unit in the project to determine how many whole units would fit into the square footage of the commercial space.

For our example, the largest unit is a 2-bedroom, 1100 square foot unit. 5000 square feet (commercial space) would accommodate 4 of these units. Multiply that number by the appropriate factor:

$$4 \times 1.2 \text{ (2-bedroom units)} = 4.8$$

To calculate the percentage at which this project meets or exceeds the required density add all three resulting calculations above, and divide by the minimum density required for your site (in this case 30 units/acre for an urban site), then by the number of acres in the project, then multiply by 100 (for percentage):

$$(10.8+14.4+4.8)/30 = 1/.75=1.3333 \times 100=133.33\%$$

Unit Size (Bedrooms)	Factor
0-Bdrm	0.7
1-Bdrm	0.9
2-Bdrm	1.2
3-Bdrm	1.6
4-Bdrm	1.8

- (2) Points will be awarded in accordance with the following schedule:

Adjusted Net Density as a Percentage of Required Density	Points
150% or More	<del>20</del> 40
140% to 149.9%	<del>15</del> 30
130% to 139.9%	<del>10</del> 20
120% to 129.9%	<del>7.5</del> 15
110% to 119.9%	<del>5</del> 10
Less than 110%	0

**Reason:**

The Department changed the number of points to reflect the proportionate expansion of points to a 240-point scale. The points in this category were doubled.

**(d) Access to Transit – 20 points Maximum**

(No change to text.)

**(e) Proximity to Amenities – 20 points Maximum**

(No change to text.)

**(f) Consistency with Regional Plans – ~~40~~ 20 points Maximum**

(No change to text.)

**Reason:**

The Department changed the number of points to reflect the proportionate expansion of points to a 240-point scale. The points in this category were doubled.

## **New Section 310, formerly Section 309. Application Selection Criteria for Qualifying Infill Areas and Large Multi-phased Projects**

*The Department proposes to increase the total score from 130 to 240 points. This change will encourage a greater breadth of point scores when evaluating applications. Point categories are rounded in ten point increments (e.g. 10, 20, etc.) or 5- point increments (e.g. 5, 10, etc.) for ease and clarity. Additional changes are explained in the following subparagraphs.*

### **Proposed changes:**

Applications for Capital Improvement Projects associated with Qualifying Infill Areas shall be awarded points using the criteria detailed below. Applicants may elect to exclude from consideration discrete phases or portions of the developments within the Qualifying Infill Area, provided that these portions or phases are not included for other purposes under these Guidelines, including rating pursuant to this ~~Section 309~~ Section 310 and the maximum grant amount calculated pursuant to Section 305(a). For a Qualifying Infill Project consisting of a multi-phased development with 200 or more residential units which meets the eligibility and threshold requirements for a Qualifying Infill Project under Sections 303 and ~~307~~ 308 respectively, the applicant may elect to be rated pursuant to the criteria in this ~~Section 309~~ Section 310 and ranked for funding with Qualifying Infill Area applications for funds allocated in the NOFA for Qualifying Infill Areas.

#### **(a) Area Readiness – ~~30~~ 80 points Maximum**

Readiness points will be awarded as follows:

- (1) Environmental Review Status—~~8~~ 25 points maximum
  - (A) Applications for Qualifying Infill Areas for which a program, master or tiered environmental impact report for which the applicable time periods to file appeals or lawsuits have lapsed has been adopted by the appropriate agency and the developments included in the application constitute subsequent projects subject to environmental review as such pursuant to CEQA Guidelines, Chapter 3, Title 14, CCR, commencing with section 15000 will receive ~~8~~ 25 points.
  - (B) Applications for Qualifying Infill Areas for which a draft of a program, master or tiered environmental impact report has been certified by the appropriate agency and the developments included in the application will constitute subsequent projects subject to environmental review as such pursuant to CEQA Guidelines, chapter 3, title 14,

CCR, commencing with section 15000 will receive ~~4~~ 15 points.

- (C) Applications for Qualifying Infill Areas for which a draft of a program, master or tiered environmental impact report has been completed and filed with the appropriate agency and the developments included in the application will constitute subsequent projects subject to environmental review as such pursuant to CEQA Guidelines, chapter 3, title 14, CCR, commencing with section 15000 will receive ~~2~~ 5 points
- (D) Applications for Qualifying Infill Areas in which not less than 50% of the land area is on sites that have been subject to a Phase 1 Site Assessment within one year prior to the application due date will receive ~~2~~ 5 points.

(2) Land Use Entitlement Status—~~8~~ 25 points maximum

Applications will be awarded points based on the extent that developments within the Qualifying Infill Area can secure necessary entitlements from the local jurisdiction within a reasonable period of time. ~~Points are cumulative in the following subparagraphs as follows:~~

- ~~(A) Applications which demonstrate that all approvals by a local public works department, or its equivalent, for the Capital Improvement Project within the Qualifying Infill Area have been granted will receive 2 points.~~
- ~~(B) Applications which demonstrate that the Qualifying Infill Area is subject to a general plan, specific plan, redevelopment area plan, community plan or similar area-specific plan adopted by the Locality in which the Qualifying Infill Area is located and the housing proposed in the application is consistent with such plan will receive 4 points.~~
- ~~(C) Applications which meet the criteria in Subparagraph (B) above and demonstrate that all necessary discretionary local land use approvals, excluding design review, for not less than one third of the housing units proposed for development within the Qualifying Infill Area have been granted will receive 7 points~~

~~(D) Applications which meet the criteria in Subparagraph (B) above and demonstrate that all necessary discretionary local land use approvals, excluding design review, for not less than half of the housing units proposed for development within the Qualifying Infill Area have been granted receive 8 points.~~

(A) Applications which meet the criteria in Subparagraph (C) and demonstrate that all necessary discretionary local land use approvals, excluding design review, for not less than half of the housing units proposed for development within the Qualifying Infill Area have been granted will receive 25 points.

(B) Applications which meet the criteria in Subparagraph (C) and demonstrate that all necessary discretionary local land use approvals, excluding design review, for not less than one third of the housing units proposed for development within the Qualifying Infill Area have been granted will receive 20 points.

(C) Applications which demonstrate that the Qualifying Infill Area is subject to a general plan, specific plan, redevelopment area plan, community plan or similar area-specific plan adopted by the Locality in which the Qualifying Infill Area is located and the housing proposed in the application is consistent with such plan will receive 10 points.

(D) Applications which demonstrate that all approvals by a local public works department, or its equivalent, for the Capital Improvement Project within the Qualifying Infill Area have been granted will receive 5 points.

(3) Funding Commitments—8 20 points maximum

Applications will be awarded points based on the extent to which the housing in the Qualifying Infill Area and the Capital Improvement Project can secure sufficient funding in a timely manner, as follows:

(A) Up to 4 10 points shall be awarded based on the percentage of total residential units to be developed in the Qualifying Infill Area that are in developments for which enforceable commitments have been obtained for all necessary construction period funding, in accordance with the following schedule, and excluding tax credit equity, tax

exempt bonds, and funding provided by this and other Department funding program(s) provided that the other Department funding is awarded prior to or simultaneously with the final rating and ranking of the Program application. For self-help developments utilizing USDA 502 loans, 4 10 points will be awarded if the active 523 grantee has site control and a letter of support from USDA.

<u>Percentage of Total Residential Units In Developments with Committed Construction Funding</u>	<u>Points</u>
70% or more	4.0
60% to 69.9%	3.5
50% to 59.9%	3.0
40% to 49.9%	2.5
30% to 39.9%	2.0
20% to 29.9%	1.5
0% to 19.9%	1.0

<u>Percentage of Total Residential Units In Developments with Committed Construction Funding</u>	<u>Points</u>
75% or more	10.0
50% to 74.9%	7.5
25% to 49.9%	5.0
10% to 24.9%	2.5

- (B) 4 10 points shall be awarded for obtaining enforceable commitments for all construction period funding for the Capital Improvement Project, excluding funding provided by another Department funding program provided that this funding is awarded prior to or simultaneously with the final rating and ranking of the Program application;
- (C) 2 5 points shall be awarded for obtaining documentation including, but not limited to, letters of intent, executive-approved term sheets, or a letter from a public agency expressing interest and/or intent to fund the Capital Improvement Project.
- (4) Local Support—6 10 points maximum

~~Applications will be awarded six points for any one of the following:~~

- ~~(A) Submittal of a letter of support from the legislative body of the Locality having jurisdiction over the Qualifying Infill Area;~~
- ~~(B) At least 50 percent of the residential units in the Qualifying Infill Area are located on a site or sites designated or identified in the housing element of the local general plan as suitable for housing development consistent with application;~~
- ~~(C) Obtaining a funding commitment or commitments from a local public agency or agencies for the Capital Improvement Project equivalent to at least 25 percent of the Program grant.~~

Applications will be awarded points for one of the following:

- (A) Obtaining a funding commitment or commitments from a local public agency or agencies for the Capital Improvement Project equivalent to at least 25 percent of the Program grant will receive 10 points.
- (B) At least 50 percent of the residential units in the Qualifying Infill Area are located on a site or sites designated or identified in the housing element of the local general plan as suitable for housing development consistent with application will receive 5 points.
- (C) Submittal of a letter of support from the legislative body or planning department of the Locality having jurisdiction over the Qualifying Infill Area will receive 3 points.

**Reason:**

In the initial funding round, several funded applications proposed developments close to transit and amenities but were comparatively less ready to start construction. It is the Department's priority to expend Proposition 1C funds expeditiously and support funding projects where developers have taken and completed development activities that increase the likelihood of beginning construction soon after Program funds are awarded. For this reason, the changes will increase the relative weight of the "Readiness" category by about 10% and decrease the weight of "Access to Transit" and "Proximity to Amenities" categories by about 7%, respectively from the prior funding round. The changes reflect the weighted importance that completing environmental reviews, obtaining land use entitlements, and securing funding commitments affect the ability to start construction.

Changes to the readiness category for Qualifying Infill Areas include:

1. Reordering the existing language in the “Land Use Entitlement Status” category. The changes also eliminate that the points in this specific measurement are cumulatively awarded, consistent with the corresponding scoring criteria in the new renumbered Section 309(a)(2);
2. Revising the existing table in the “Funding Commitments” category that measures construction funding commitments. The change would facilitate an increased spread of point scores commensurate with the Department’s proposal to encourage a diversity of point scores in a 240 point rating system, and it would eliminate the ability to score points with no construction funding commitments; and
3. Reorganizing existing language in the local support subcategory and awarding points based on the type of local support. The changes reflect the fact that different types of local support require greater effort than others in local decision making. The language also shows a conforming technical change from the new renumbered Section 309 to allow a letter of support from the local planning department.

**(b) Affordability – ~~30~~ 60 points Maximum**

Applications will be awarded points based on the percentage of units to be developed in the Qualifying Infill Area that will be restricted to occupancy by various income groups, in accordance with the following schedule.

- (1) ~~4.0~~ 2.0 point will be awarded for each percent of total units that are owner-occupied and restricted to occupancy by households with incomes not exceeding the Moderate Income limit.
- (2) ~~4.2~~ 2.4 points will be awarded for each percent of total units that are owner-occupied and restricted to occupancy by households with incomes not exceeding the Lower Income limit.
- (3) ~~4.0~~ 2.0 points will be awarded for each percent of total units that are rental units restricted to occupancy by households with incomes less than or equal to 60% of Area Median Income.
- (4) ~~2.0~~ 4.0 points will be awarded for each percent of total units that are rental units restricted to occupancy by households



with incomes less than or equal to 30% of Area Median Income.

- (5) Owner-occupied units proposed for points under this category shall be subject to a recorded covenant with a duration of at least 30 years that includes either a resale restriction or a requirement for sharing equity upon resale.
- (6) For rental units used as the basis for point scores in the application, rent limits for initial occupancy, and for each subsequent occupancy, shall be based on unit type, applicable income limit, and area in which the Qualifying Infill Area is located, following the calculation procedures used by TCAC. Rents shall be restricted in accordance with the rent and income limits specified in the application and approved by the Department, and set forth in a legally binding agreement recorded against housing developments in the Qualifying Infill Area with a duration of at least 55 years. Rents shall not exceed 30% of the applicable income eligibility level.

**Reason:**

The Department changed the number of points to reflect the proportionate expansion of points to a 240-point scale. The points in this category were doubled.

**(c) Density – ~~20~~ 40 points Maximum**

Applications will be awarded points based on the extent to which the average Net Density of the Qualifying Infill Area, adjusted by unit size, exceeds the required density specified in Section 303(a)(4).

- (1) Net Density will be adjusted for unit size by multiplying the factors shown below by the total number of units in each unit size category, then summing the resulting products then dividing by the ~~next~~ net area of all projects For a suburban three-site QIA:

Project #	1	7	2-Bedroom Units	5	3-Bedroom Units	.75	Acre
Project #	2	6	2-Bedroom Units	8	3-Bedroom Units	.65	Acre
Project #	3	9	2-Bedroom Units	7	3-Bedroom Units	.50	Acre

The adjusted Net Density would be (22 2-bedroom units times 1.2 plus 20 3-bedroom units times 1.6) or 58.4. Dividing this by 20 (Suburban Minimum Density) and 1.9 acres (net area of the 3 sites) and multiplied by 100 results

in an Adjusted Net Density as a Percentage of Required Density of 153.7% which yields ~~7.5~~ 15 points for Density.

Unit Size (Bedrooms)	Factor
0-Bdrm	0.7
1-Bdrm	0.9
2-Bdrm	1.2
3-Bdrm	1.6
4-Bdrm	1.8

- (2) Points will be awarded in accordance with the following schedule:

Adjusted Net Density as a Percentage of Required Density	Points
300% or More	<del>20</del> 40
250% to 299.9%	<del>15</del> 30
200% to 249.9%	<del>10</del> 20
150% to 199.9%	<del>7.5</del> 15
110% to 149.9%	<del>5</del> 10
Less than 110%	0

**Reason:**

The Department changed the number of points to reflect the proportionate expansion of points to a 240-point scale. The points in this category were doubled.

**(d) Access to Transit – 20 points Maximum**

Points will be awarded based on the percentage of residential units in the Qualifying Infill Area which are in developments which meet the criteria for proximity to a Transit Station or Major Transit Stop set forth in paragraph ~~308(d)(1)~~ 309(d)(1) relative to the total number of housing units in the Qualifying Infill Area. 2 points will be awarded for each 10 percent of such housing units. Percentages shall be rounded off to the nearest whole ten.

**(e) Proximity to Amenities – 20 points Maximum**

Applications will be awarded points based on the amenities in the Qualifying Infill Area or within ½ mile of its boundary, including

amenities that will be in service when construction of the Qualifying Infill Project for the Qualifying Infill Area is completed. ~~Points shall be awarded based on the number of amenities per ten (10) acres in the Qualifying Infill Area.~~

~~6 or more amenities per 10 acres: 20 Points~~  
~~2 to 5 amenities per 10 acres: 10 Points~~  
~~0 to 1 amenities per 10 acres: 0 Points~~

Points shall be awarded based upon the number of amenities per 100 housing units designated in the Qualifying Infill Area. For example, 4 amenities for 101 units would yield 3.96 amenities per 100 units and result in a score of 10 points. Each amenity can be used only once even though it may be eligible in more than category. For example, a Community College might also be an Employment Center. The applicant must identify which category is to be designated. No more than 25% of the amenities can come from any one subcategory.

<u>4 or more amenities per 100 units:</u>	<u>20 points</u>
<u>3.0 – 3.99 amenities per 100 units:</u>	<u>10 points</u>
<u>2.0 – 2.99 amenities per 100 units:</u>	<u>5 points</u>
<u>1.99 amenities and below per 100 units:</u>	<u>0 points</u>

(1) Amenities include:

(A) Public parks (not including school grounds unless there is a bona fide, formal joint use agreement between the jurisdiction responsible for the parks/recreational facilities and the school district providing availability to the general public of the school grounds and/or facilities).

(B) Locally recognized employment center with a minimum of fifty (50) full-time employees. An employment center is a locally recognized concentration of employment opportunities such as a large hospital, industrial park, commercial district, or office area.

(C) Locally recognized retail center with a minimum of fifty (50) full-time employees. A retail center is a downtown area or recognized neighborhood or regional shopping mall.

~~(D) Public schools or community colleges that residents living in the Qualifying Infill Area may attend.~~

~~(E) Social service facilities available to serve the residents living in the Qualifying Infill Area.~~

~~(F) Senior centers or facilities regularly offering services specifically designed for seniors residing in the Qualifying Infill Area.~~

(D) Where at least 50% of the units designated in this application have two or more bedrooms, public schools or community colleges available for residents of the Qualifying Infill Area to attend.

(E) Where designated units in this application which qualify for Special Needs or single room occupancy use, as defined by TCAC, or has a Special Needs or Supportive Housing component, as defined under MHP, social service facilities available to serve the residents living in the Qualifying Infill Area.

(F) Where designated units in this application which are reserved for qualified senior citizens under sections 51.2, 51.3 and 51.4 of the Civil Code, senior centers or facilities regularly offering services designed for seniors and available to the seniors residing in the Qualifying Infill Area.

**Reason:**

The Department proposes to evaluate the availability of amenities relative to the number of units rather than to the amount of acreage. Presently, the program measures the number of amenities per acre. The proposed change would strengthen the nexus between the number of residents living in the area and the number of amenities providing services to them. This is achieved more effectively in the proposed procedure as the measurement considers high-rise development (number of housing units) whereas the previous procedure only took a ground-level perspective (acreage).

Additionally, the changes would conform with existing amenity language in the corresponding new renumbered Section 309(e) and encourage a diversity of amenities to support the population.

**(f) Consistency with Regional Plans – ~~40~~ 20 points Maximum**

(No change to text.)

**Reason:**

The Department changed the number of points to reflect the proportionate expansion of points to a 240-point scale. The points in this category were doubled.

## Per Unit Grant Limits Chart and Additional Definitions

**Note:** The grant chart is contained in our NOFA, not guidelines. This proposal is added to the public discussion of the guidelines.

**Proposed changes:**

**Change Per Unit Grant Limit Chart (non-regulatory) as follows:**

<b>Income Level &amp; Tenure</b>	<b>0-Bdrm</b>	<b>1-Bdrm</b>	<b>2-Bdrm</b>	<b>3-Bdrm</b>	<b>4-Bdrm</b>
200%+ FMR* or Exceeds CALHFA Sales Prices**	\$3,000	\$6,000	\$9,000	\$12,000	\$15,000
IIG Unrestricted***	\$20,000	\$23,000	\$27,000	\$33,000	\$36,000
Moderate Owner	\$23,000	\$26,000	\$31,000	\$37,000	\$40,000
Low Owner	\$26,000	\$29,000	\$35,000	\$41,000	\$45,000
60% AMI Rental	\$26,000	\$29,000	\$35,000	\$41,000	\$45,000
50% AMI Rental	\$30,000	\$34,000	\$39,000	\$47,000	\$50,000
30% AMI Rental	\$35,000	\$37,000	\$42,000	\$54,000	\$57,000

**\*200% FMR Unit:** A 200% FMR Unit is a rental unit with a proposed monthly rent which is equal to or greater than 200% of its county's Fair Market Rent (FMR) as defined by HUD.

**\*\*Exceeds CalHFA Maximum Sales Price Unit:** A for-sale unit with a proposed sales price which exceeds its county's maximum allowable sales price for a new construction unit as published by CalHFA. <sup>1</sup>

**\*\*\*IIG Unrestricted:** An Unrestricted Unit for the purposes of calculating grant amounts in the IIG program is any unit not restricted at the other levels identified in Section 302(a) but also not meeting either of the above definitions.

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<sup>1</sup>The CalHFA chart can be found here:  
<http://www.calhfa.ca.gov/homeownership/limits/salesprice/salesprice.pdf> . To determine if a project is in a "target" area, utilize the CalHFA list of census tracts, found here:  
<http://www.calhfa.ca.gov/homeownership/information/target-area.pdf>

**Reason:**

The Department believes establishing grant amounts based on the relative affordability of the housing units. The Department proposes revised grant limits reflecting the fact that housing units assisting higher AMI levels require less public subsidy to achieve marketability.

Both HUD and CalHFA have established industry-accepted homeownership and rental limits. These limits allow us to utilize data from established Federal and State programs, giving credibility and citing precedence for using these numbers.

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